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Attorneys for Debtor
 REX SPIRITS, INC.

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

RIVERSIDE DIVISION

In re

REX SPIRITS, INC.,

Debtor.

Case No. 6:13-bk-24063-SC

Chapter 11

**DEBTOR'S FOURTH STATUS
REPORT****Status Conference:**

Date: March 18, 2014

Time: 1:30 p.m.

Place: Video Hearing Room 126
 US Bankruptcy Court
 3420 Twelfth Street
 Riverside, CA 92501

Place: Courtroom 5C
 US Bankruptcy Court
 411 West Fourth Street
 Santa Ana, CA 92701-4593

*(To be held concurrently in both
 courtrooms)*

**TO THE HONORABLE SCOTT CLARKSON, UNITED STATES
 BANKRUPTCY JUDGE; THE UNITED STATES TRUSTEE, AND ALL PARTIES
 IN INTEREST:**

Rex Spirits, Inc., Debtor herein (hereinafter the "Debtor"), hereby submits its
 Fourth Status Report, as follows:

1 The Debtor filed its Chapter 11 case on August 19, 2013. Since the petition date,
2 the Debtor has made diligent efforts to sell its stock on hand. The Debtor's sales have
3 been less than what was expected caused largely by the threatening prepetition letters sent
4 to the Debtor's customers by counsel for the Debtor's nemesis Buohua Zheng.

5 The Debtor has significant interest from prospective customers and orders have
6 been very good recently. Specifically, on February 20, 2014, the Debtor received a letter
7 of intent from an international trading company committing to purchase 3,000 cases of
8 product for \$360,000. The product will be sold only internationally and therefore does not
9 violate the Louisiana Consent Decree. The product will be delivered in mid-March. On
10 February 13, 2014, the Debtor sold 500 cases to a Nevada distributor for a total price of
11 \$60,000. The terms were \$10,000 down and the remainder in 60 days. The Debtor is
12 reluctant to identify the purchasers in this Status Report due to competition concerns but
13 will disclose the names at the Status Conference if necessary.

14 Based on the Louisiana Consent Decree, the Debtor cannot sell and further product
15 with the King Rex trademark domestically but may sell product internationally until
16 August 15, 2014.

17 ***A. Summary of Hearings Set for March 18, 2014***

18 The following matters are set for hearing on March 18, 2014 at 1:30 p.m.:

- 19 1. The Debtor's Motion for Further Use of Cash Collateral;
- 20 2. The Motion to Convert the Case to Chapter 7 or Appoint a Chapter 11 Trustee
21 filed by Boahua Zheng;
- 22 3. The Debtor's Objection to the Claim of Boahua Zheng; and
- 23 4. The hearing on the adequacy of the Debtor's Disclosure Statement.

24
25 ***B. Status on Use of Cash Collateral***

26 The Debtor has used cash collateral pursuant to Orders entered by the Court. The
27 use is minimal and the Debtor will request further use at the hearing.
28

C. Status of the Motion to Convert

1 On October 31, 2013, Creditor Baohua Zheng filed his Motion to Convert the
2 Debtor's case to Chapter 7. The Debtor filed a lengthy Opposition to the Motion on
3 November 26, 2013 disputing the factual allegations made in the Motion. The Motion to
4 Convert was originally set for December 10, 2013 and has been continued at least two
5 times.

6 Mr. Zheng's Motion to Convert largely relies on many factual allegations made by
7 Bin Li, who was both the Debtor and Mr. Zheng's former attorney. The Debtor disputes
8 many of the allegations made in the Motion to Convert. As such, the Debtor served Mr.
9 Lin with a subpoena to appear and have his deposition taken. He has still not appeared.

10 The latest date for the deposition was February 26, 2014. The day before the
11 scheduled date, the Debtor was again advised that he would not appear on the basis that
12 Mr. Zheng's bankruptcy counsel, Kenneth Greene, was not given notice of the date of the
13 deposition. The Court may recall that the first non-appearance was based on the Debtor's
14 failure to give Mr. Li's state court attorney, Jonathan Starre, notice of the scheduled
15 deposition even though the deposition had nothing to do with the state court proceeding.
16 Many emails went back and forth between Debtor's counsel, Matthew Resnik, and Mr.
17 Starre trying to pick a new date. Mr. Resnik was not aware that the dates proposed by Mr.
18 Starre had not been approved by Mr. Greene. The "tag-team" efforts have resulted in the
19 delay in obtaining this discovery.

20 The deposition will take place now in early April, 2014. The Debtor is willing to
21 proceed to an evidentiary hearing on the Motion in late April, 2014 if the Court is not
22 prepared to simply deny the motion.

D. Disclosure Statement

25 The Debtor filed its Disclosure Statement on January 18, 2014. The Debtor has not
26 yet received any comments and/or objections to the Disclosure Statement (which are due
27 the same day as this Status Report). Once the Debtor receives those comments including
28

1 comments from the Court, the Debtor will prepare and file a First Amended Disclosure
2 Statement. At this point, at a minimum the Debtor will adjust the projections attached to
3 the Disclosure Statement to give effect to the recent sales.

4 ***E. Objection to Claim of Boahua Zheng***

5 The Debtor filed its Objection to the Claim of Boahua Zheng timely on January 18,
6 2014. Mr. Zheng has not yet responded to the Objection as the response is due the same
7 day as this Report. The parties have not conducted any discovery. The Debtor expects to
8 conduct discovery once it receives the response from Mr. Zheng.

9
10 ***F. Mediation***

11 The Debtor made a lengthy offer to attend a mediation with Judge Jury but the offer
12 was rejected. The Debtor proposed to include the pending state court litigation in the
13 mediation and try to reach a global resolution. The answer was no and there was no
14 counter offer.

15
16
17 Dated: March 4, 2014

SIMON RESNIK HAYES LLP

18
19 By: /s/ M. Jonathan Hayes

M. Jonathan Hayes
Matthew D. Resnik
Roksana D. Moradi
Attorneys for Debtor
REX SPIRITS, INC.

PROOF OF SERVICE OF DOCUMENT

1 I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding.
 My business address is: **15233 Ventura Blvd., Suite 250, Sherman Oaks, CA 91403.**

2 A true and correct copy of the foregoing document entitled **DEBTOR'S FOURTH**
 3 **STATUS REPORT** be served or was served (a) on the judge in chambers in the form and
 manner required by LBR 5005-2(d); and (b) in the manner indicated below:

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING

4 **("NEF")** – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s)
 5 **("LBR")**, the foregoing document will be served by the court via NEF and hyperlink to the
 6 document. On **3/4/2014** I checked the CM/ECF docket for this bankruptcy case or
 7 adversary proceeding and determined that the following person(s) are on the Electronic
 Mail Notice List to receive NEF transmission at the email address(es) indicated below:

8 ☐ Service information continued on attached page

- 9 • **Michael J Bujold** Michael.J.Bujold@usdoj.gov
- **Kenneth C Greene** kenlaw100@gmail.com
- 10 • **M Jonathan Hayes** jhayes@srhlawfirm.com,
 roksana@srhlawfirm.com;carolyn@srhlawfirm.com;rosarioz@srhlawfirm.com;jfish
 11 er@srhlawfirm.com;anastasia@srhlawfirm.com;jhayesecf@gmail.com
- **John M Kalajian** johnkalajian@sbcglobal.net
- 12 • **United States Trustee (RS)** ustpregion16.rs.ecf@usdoj.gov

13 **II. SERVED BY U.S. MAIL:** On **3/4/2014** I served the following person(s) and/or
 14 entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by
 placing a true and correct copy thereof in a sealed envelope in the United States Mail, first
 15 class, postage prepaid, and addressed as follows. Listing the judge here constitutes a
 declaration that mailing to the judge will be completed no later than 24 hours after the
 document is filed.

16 ☐ Service information continued on attached page

18 Hon. Scott C. Clarkson
 US Bankruptcy Court
 19 411 West Fourth Street, Suite 5130
 Santa Ana, CA 92701-4593

Rex Spirits, Inc.
 c/o Sal N. Ortiz
 14606 Pipeline Ave.
 Chino, CA 91710

ALL CREDITORS:

22 B. Zheng
 999 Rosalind Road
 23 San Marino, CA 91108

Gloria Bencomo
 14606 Pipeline Ave.
 Chino, CA 91710

24 B. Zheng
 c/o Kenneth C. Greene, Esq.
 25 5743 Corsa Ave.
 Suite 208
 26 Westlake Village, CA 91362

John M. Kalajian, Attorney at Law
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 Simi Valley, CA 93062-1690

27 Desi Ortiz
 2631 Marlberry Street
 28 Santa Maria, CA 93455

Law Offices of Bin Li & Associates
 17800 Castleton St., Ste 605
 City of Industry, CA 91748

Richard Traina, Esq.
Mollere, Flanagan & Landry
2341 Metairie Road
Metairie, LA 70001

Internal Revenue Service
P.O. Box 7346
Philadelphia, PA 19101-7346

Terressentia Corporation
9770 Patriot Blvd., Ste 399
Ladson, SC 29456

Franchise Tax Board
Attn: Bankruptcy Section, MS: A-340
P.O. Box 2952
Sacramento, CA 95812-2952

Phoenix Packaging
847 McCaffrey
Montreal, Quebec
Canada H4T 1N3

State Board of Equalization
Special Procedures Section MIC: 55
P.O. Box 942879
Sacramento, CA 94279-0055

Employment Development Department
Bankruptcy Group MIC 92E
P.O. Box 826880
Sacramento, CA. 94280-0001

Securities and Exchange Commission
5670 Wilshire Blvd., 11th Floor
Los Angeles, CA 90036

REMOVED CREDITORS/ RETURNED MAIL:

~~Built in China LLC
41960 Enterprise Circle N., Ste 211
Temecula, CA 92590~~

**III. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE
TRANSMISSION OR EMAIL (indicate method for each person or entity served):**

Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **13/4/2014** I served the following person(s) and/or entity(ies) by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

3/4/2014

Ja'Nita Fisher

/s/ Ja'Nita Fisher

Date

Type Name

Signature